GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:6108
ANSWERED ON:27.04.2001
EXTERNAL DEBT
RATTAN LAL KATARIA

Will the Minister of FINANCE be pleased to state:

(a) The external debt ratio of our Gross Domestic Product in comparison to Asian and European countries;

(b) The per capita external and internal debt in India;

(c) Whether the country indeed is in a debt trap; and

(d) If so, the steps taken by the Government to improve this situation?

Answer

Minister of State in the Ministry of Finance (Shri Balasaheb Vikhe Patil)

(a) The external debt to Gross National Product (GNP) ratiofor India, along with some Asian and European countries at theend of 1998 is shown as under:

Table 1: International Comparison of External debt to GNP Ratios at the end of 1998.

Countries	External debt to GNP Ratio (per cent)
Asian:	
China	16.4
India	23.0
Indonesia	176.5
Korea	44.0
Malaysia	65.3
Pakistan	52.8
Philippines	70.1
Sri Lanka	54.9
Thailand	76.5
European:	
Czech Republic	45.5
Hungary	62.2
Poland	30.4
Romania	25.3
Russian Federation	69.4
Turkey	50.0

Source: Global Development Finance, 2000, The World Bank.

(b) The per capita outstanding external debt of the country at the end of March 2000, stood at US Dollar 99.3(equivalent to Rs.4332). The per capita outstanding internal debt of the Central Government stood at Rs.7207 at the end of March 2000.

(c) and (d): India`s external indebtedness position improved considerably in recent years. This is reflected in declining debt-GDP ratio from 38.7 per cent in 1990-91 to 22.0 per cent in 1999-2000. Similarly, debt service to current receipts ratio also improved from 35.3 per cent in 1990-91 to 16.0 per cent in 1999-2000. The ratio of short- term debt to total external debt also declined from a high of 10.2 per cent in 1990-91 to 4.1 per cent in 1999-2000. The improvement in India`s external debtposition since early 1990s is due to a conscious debt management policy followed by the Government that focuses on achieving high growth of exports, keeping the maturity

structure as well as the total commercial debt under manageable limits, limiting short-term debt and encouraging non-debt creating financial flows on external capital account.

Internal debt of the Central Government as a proportion of GDPincreased from 26.6 per cent 1992-93 to 36.9 per cent in 2000-01. The accumulation in the debt stock of the Central Governmentduring the 1990s could be attributed to high levels of fiscal deficit and a reversal in the declining trend of revenue deficit since 1997-98, primarily due to a sharp increase in the expenditure on the revenue account. In view of the continuing fiscal stress on the economy, a `Fiscal Responsibility and Budget Management Bill, 2000` has been introduced recently. The Bill provides a basis for a legal and institutional framework to eliminate revenue deficit, bring down the fiscal deficit, contain the growth of public debt and stablise debt as a proportion of GDP within a time frame.